بسم الله الرحمن الرحيم

CONTENTS

COMPANY INFORMATION

Board of Directors	Mrs. Nilofar Mukhtar *Chairperson & Director* Mr. Faisal Mukhtar *Chief Executive*
Directors	Mrs. Mahwesh Faisal Mukhtar Miss Abida Mukhtar Mr. Parvez Ashraf Mr. Zulfiqar Ahmad Malik Mr. Ejaz Akbar Khan
Audit Committee	Mr. Sheikh Pervaiz Ashraf (Chairman) Mr. Zulfiqar Ahmad (Non-Executive) Ms. Abida Mukhtar
HR & Remuneration Committee	Mr. Zulfiqar Ahmad Malik (Chairman) Mr. Faisal Mukhtar Ms. Abida Mukhtar
Chief Financial Officer & Company Secretary	Mr. Shahid Amin Chaudhry
Auditors	M/s Hassan Naeem & Co. Chartered Accountants
Legal Advisor	Mr. Muhammad Ashraf
Bankers	United Bank Limited The Bank of Punjab National Bank of Pakistan Faysal Bank Limited KASB Bank Limited
Share Registrar	M/s Corplink (Pvt.) Ltd. Wing Arcade, 1-K, Commercial, Model Town, Lahore. Tel: 5839182, 5869037
Registered Office	63-B-I, Gulberg-III, Lahore. Tel: (042) 5878643-4
Factory	10th Km Muridke-Sheikhupura Road, Muridke.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of Shareholders of **Dar Es Salaam Textile Mills Limited** will be held on Wednesday, October 31, 2012 at 11:00 a.m. at the Registered Office of the Company, 63-B-I, Gulberg-III, Lahore, to transact the following business:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on March 31, 2012.

2. To receive, consider and adopt the Audited Financial Statements for the year ended June 30, 2012 and the Directors' and Auditors' Report thereon.

3. To appoint auditors and to fix their remuneration. The auditors of the Company Messrs UHY Hassan Naeem & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the financial year ended June 30, 2013.

4. To transact any other business with the permission of the chair.

BY ORDER OF THE BOARD

Place : Lahore

Date : October 10, 2012

SHAHID AMIN
Company Secretary

Note:

1. The share transfer books of the Company will remain closed from October 24, 2012 to October 31, 2012 (both days inclusive).

2. A member entitled to vote at the meeting may appoint any other member as his/her proxy. Proxies in order to be effective must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.

3. Any individual Beneficial Owner of the Central Depository Company, entitled to vote at this meeting must bring his/her Computerized National Identity Card with him/her to prove his/her identity, and in case of proxy must enclosed an attested copy of his/her Computerized National Identity Card. Representatives of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to send the copies of their CNICs to meet the Compliance with Requirements of Insertion of CNIC Number in Transfer Deeds and Form -A in accordance with the Provisions of First and Third Schedule of the Companies Ordinance, 1984.

5. Shareholders are also requested to promptly communicate any change in their addresses to our Company's Share Registrar i.e M/s Corplink (Pvt) Limited, Wings Arcade, 1 - K, Commercial, Model Town, Lahore.

Vision Statement

To achieve the highest possible return on investment through a process of continuous improvement and while upholding the highest standards of integrity in all operations.

Mission Statement

To be a result-oriented and profitable Company by consistently improving in terms of productivity, quality, technological expertise, diversity, presentation, reliability and customer acceptance.

To establish the Company as a growing concern while ensuring optimum return on investment for shareholders.

To be a responsible employer and create an environment where a professional, highly-motivated management team can prosper.

To be a good corporate citizen who supports charitable causes and follows environmentally friendly policies.

DIRECTORS' REPORT

The Directors of your company have pleasure in presenting you the 23rd Annual Report of the Company and the Audited Financial Statements for the year ended June 30, 2012.

PERFORMANCE DURING THE YEAR

Our sales for the year under review are Rs 1.340 billion (last year Rs. 1.437 billion); this decrease of 6.75% depicts the disposal of machinery, lower rates and change in production pattern of yarn.

The operations resulted in a loss before taxation of 97.807 million as compared with loss before taxation of Rs. 84.912 million for the comparable year.

Quantitative analysis shows that production decreased by 28.79% as compared with annualized production of last period.
Finance cost decreased by 8.84% mainly due to repayment of long term and short term borrowings during the period. Distribution cost increased mainly due to export sales during the current year. The Administrative Expenses were controlled and increase depicts the inflation factor.

PROSPECTS FOR THE YEAR

Dar Es Salaam Textile Mills Limited is focusing on maximizing its potential. The financial results for the year under review are not much encouraging due to certain unavoidable factors discussed in coming paragraphs but the management is committed to continue with the same enthusiasm.

During the year under review, the textile industry observed fluctuations in different areas especially in cotton prices. Other factors like fluctuation of yarn prices in international markets, lower export sales, energy crisis, higher finance cost & inflation rates are the main causes to increased losses during the period. The company is looking forward to pay off the debts on priority basis to avoid financial cost which is currently a major cost for the company.
The management is of the view that operating results will improve in the coming years.

PRODUCTION CAPACITY:

The production facility at mills now reached to 20,736 spindles. The Quality Yarn has better sale rates and demand in local and international markets.

SUMMARIZED FINANCIAL RESULTS

The Company has made a pre tax loss of Rs. 97,807,375/- after charging costs, expenses and depreciation for the period.

	(Rupees)
Loss before Taxation	(97,807,375)
Taxation	(16,901,939)
Loss after Taxation	(114,709,314)
Accumulated Loss Brought Forward	(235,792,869)
Revaluation surplus realized during the period	20,581,335
Transfer from Surplus on Revaluation of Fixed Assets	46,520,877
Accumulated Loss Carried Forward	(283,399,969)

EARNINGS PER SHARE

Earning per Share for the year is Rs. (14.34)as compared with last period's earning per share of Rs. (11.97).

DIVIDEND

Since the Company has accumulated losses, therefore, the directors have not recommended any dividend for the year.

OUTSTANDING STATUTORY PAYMENTS

All outstanding statutory payments are of normal and routine nature.

CORPORATE GOVERNANCE

The Board of Directors hereby declares that for the year ended June 30, 2012:

a) The financial statements, prepared by the Management of the Company, fairly present its state of affairs, the results of its operation, cash flow, and changes in equity.

b) The company has maintained proper books of account.

c) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

d) International accounting standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

e) The system of internal control is sound in design and has been effectively implemented and monitored.

f) There are no significant doubts upon the Company's ability to continue as a going concern.

g) The company is well aware of its corporate social responsibilities. The Company is currently running a middle school to educate the poor children free of cost. The company is looking forward to upgrade the school to matric level in coming year. Company also compensates the employees on medical grounds more than their social security entitlements on case to case basis. Further, the company works for the welfare and betterment of its employees in different aspects.

h) There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.

i) Operating and financial data and key ratios of the last six years are annexed.

j) Value of investments based on the audited accounts of Provident Fund and Gratuity Fund for the year ended 30-06-2010 are Rs 2.16 million and Rs. 0.051 million respectively.

k) The pattern of shareholding as at June 30, 2012 along with trading in the shares of the Company by the Directors, CEO and their spouses is annexed to this report.

The auditors of the Company, Messrs UHY Hassan Naeem & Co., Chartered Accountants, retire and being eligible, offer themselves for re-appointment for the financial year 2012-2013. The audit committee has recommended re-appointment of the same auditors.

AUDITOR'S REPORT

The paragraphs regarding going concern and current ratio are highlighted in the auditors' report to the members. The management does not agree with the auditors and assures that there is no doubt about the company's ability to continue as a going concern.

BOARD MEETINGS

During the year, Five (5) meetings of the Board of Directors were held. Attendance by each director is as follows:

Name	Attendance
Mr. Faisal Mukhtar	5
Mrs. Nilofar Mukhtar	4
Mrs. Mahwesh Faisal Mukhtar	3
Ms. Abida Mukhtar	3
Mr. Parvez Ashraf	5
Mr. Zulfiqar Ahmad Malik	5
Mr. Ejaz Akbar Khan	5

Leave of absence was granted to directors who could not attend some of the Board meetings.

CODE OF ETHICS AND BUSINESS PRACTICES

Code of Ethics and Business Practices has been developed and is now being communicated and acknowledged by each director and employee of the Company.

MANAGEMENT AND STAFF RELATIONS

We gratefully acknowledge the dedication and positive spirit in which our staff and workers continue to operate. Staff-management relations remained extremely cordial throughout the year.

For and on behalf of the Board

FAISAL MUKHTAR
CHIEF EXECUTIVE

Place: Lahore
Date: October 10, 2012

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CORPORATE GOVERNANCE

This statement is being presented to comply with the code of corporate Governance contained in Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No. 40 (Chapter XIII) of the Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on it's Board of Directors. At present the Board included six non-executive directors and one executive director.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No Casual vacancy of directors occurred during the financial year 2011-12.

5. The company has prepared a "Statement of Ethics and Business Practices", which has been signed by all the directors and employees of the Company.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with dates on which they were approved or amended has been maintained.

7. All the power of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairperson and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.

9. No specific orientation course was held during the year. However, the management continues to be apprised with changes in law to discharge their duties and responsibilities.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of their employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.

13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises of 3 (three) members. All are non-executive directors.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has also formed Human Resource and Remuneration Committee. It comprises of 3 (three) members. The majority members are from non-executive directors. The terms of reference of the committee have been formed and advised to the committee for compliance. Only one meeting was held and attended by all members during the period.

18. The Board has set-up effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any other partner of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principles contained in the Code have been complied with.

22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

23. Material/price sensitive information has been disseminated among all market participants at once through stock exchanges.

For and on behalf of the Board

Place: Lahore
Date: October 10, 2012

FAISAL MUKHTAR
CHIEF EXECUTIVE

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Dar Es Salaam Textile Mills Limited to comply with Listing Regulation No. 35 (Chapter XI) of the Karachi and Lahore Stock Exchanges respectively, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective approach, We have not carried any special review of the internal control system to enable to express an opinion as to whether the Board's Statement on internal control covers all controls and the effectiveness of such internal controls.
Based on review, except the following:

The orientation courses which were not conducted as explained in point 9 of the "Statement of Compliance with the Code of Corporate Governance".

Dividend was not paid for the five years from the date of declaration of last dividend or bonus as explained in regulation 30 of the listing regulations.

Nothing has come to our attention which causes us to believe that the Statement of Compliance does no appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2012.

Place : Lahore
Date: October 10, 2012

UHY Hassan Naeem & Co
Chartered Accountants
Ibne Hassan FCA

FINANCIAL HIGHLIGHTS OF THE LAST SIX YEARS

PARTICULARS		June 30 2012	June 30 2011	June 30 2010	June 30 2009	June 30 2008 (Restated)	June 30 2007
Sales	Rs.	1,339,935,803	1,436,870,778	1,083,859,573	850,027,163	725,702,932	772,328,259
Gross Profit	Rs.	14,317,112	24,601,141	111,342,061	1,747,909	487,721	62,482,599
Profit/(Loss) Before Tax	Rs.	(97,807,375)	(84,911,503)	9,156,049	(28,220,621)	(104,766,902)	(36,570,749)
Profit/(Loss) After Tax	Rs.	(114,709,314)	(95,777,469)	484,174	(103,646,519)	(93,433,357)	(35,246,187)
Share Capital	Rs.	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000	80,000,000
Share Holders Equity	Rs.	295,740,705	410,450,018	404,986,110	104,702,479	208,348,998	304,782,355
Fixed Assets - Net	Rs.	861,345,847	1,000,229,725	882,363,050	562,339,280	612,993,745	656,178,232
Total Assets	Rs.	1,189,515,038	1,328,429,621	1,081,078,262	752,753,260	937,433,590	951,773,905
Production	Kgs	5,124,830	3,778,319	5,125,323	5,479,610	5,125,185	5,367,323
Sales	Kgs	5,072,575	3,825,347	5,172,905	5,110,542	5,185,292	5,531,962
Dividend - Cash		-	-	-	-	-	-
Ratios							
Profitability							
Gross Margin		1.07%	1.71%	10.27%	0.21%	0.07%	8.09%
Profit/(Loss) Before Tax		-7.30%	-5.91%	0.84%	-3.32%	-14.44%	-4.74%
Profit/(Loss) After Tax		-8.56%	-6.67%	0.04%	-12.19%	-12.87%	-4.56%
Return to Shareholders							
Return on Equity (BT)		-33.07%	-20.69%	2.26%	-26.95%	-50.28%	-12.00%
Return on Equity (AT)		-38.79%	-23.33%	0.12%	-98.99%	-44.84%	-11.56%
Earnings Per Share (BT)	Rs.	(12.23)	(10.61)	1.14	(3.53)	(13.10)	(4.57)
Earnings Per Share (AT)	Rs.	(14.34)	(11.97)	0.06	(12.96)	(11.68)	(4.41)
Activity							
Sales to Total Assets (Times)		1.13	1.08	1.00	1.13	0.77	0.81
Sales to Fixed Assets (Times)		1.56	1.44	1.23	1.51	1.18	1.18
Liquidity							
Current Ratio (Times)		0.52	0.53	0.46	0.43	0.62	0.67
Break up Value Per Share	Rs.	36.97	51.31	50.62	13.09	26.04	38.10

FORM 34

THE COMPANIES ORDINANCE 1984
(Section 236(1) and 464)
PATTERN OF SHAREHOLDING

1. Incorporation Number **L-01895**

2. Name of the Company **DAR-ES-SALAAM TEXTILE MILLS LTD.**

3. Pattern of holding of the share held by the shareholders as at **30-06-2012**

	---------- Shareholding ----------		
4. No. of Shareholders	**From**	**To**	**Total Shares Held**
108	1	100	6,970
1023	101	500	499,089
76	501	1000	73,859
71	1001	5000	179,225
19	5001	10000	150,504
7	10001	15000	85,800
3	15001	20000	51,250
5	25001	30000	129,896
1	30001	35000	32,000
1	40001	45000	44,750
1	65001	70000	70,000
1	75001	80000	80,000
1	110001	115000	112,291
1	115001	120000	120,000
1	165001	170000	168,568
1	175001	180000	180,000
1	195001	200000	199,750
1	265001	270000	266,787
1	515001	520000	516,750
1	820001	825000	824,125
1	1290001	1295000	1,290,960
1	1380001	1385000	1,380,197
1	1535001	1540000	1,537,229
1327			**8,000,000**

5. Categories of shareholders	Shares held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor childern	3,953,532	49.4192
5.2 Associated Companies, undertakings and related parties.	0	-
5.3 NIT and ICP	270,987	3.3873
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	25,896	0.3237
5.5 Insurance Companies	-	-
5.6 Modarabas and Mutual Funds	-	-
5.7 Share holders holding 10%	5,303,261	66.2908
5.8 General Public		
a. Local	3,699,642	46.2455
b. Foreign		
5.9 Others (to be specified)		
1- Joint Stock Companies	49,443	0.6180
2- Trust	500	0.0063

6. Signature of Company Secretary			
7. Name of Signatory			
8. Designation	Company Secretary		
9. NIC Number			
10 Date	30	06	2012

Categories of Share Holders as required under C.C.G. as on 30th June, 2012

S. No.	NAME	HOLDING	% AGE
DIRECTORS, CEO THEIR SPOUSES & MINOR CHILDREN			
1	MISS NELOFAR MUKHTAR	44,750	0.5594
	MISS NELOFAR MUKHTAR (CDC)	824,125	10.3016
2	MRS. MEHWESH FAISAL MUKHTAR	2,500	0.0313
3	SH. PERVAIZ ASHRAF	2,500	0.0313
4	MR. ZULFIQAR AHMED	180,000	2.2500
5	MR. FAISAL MUKHTAR	199,750	2.4969
	MR. FAISAL MUKHTAR (CDC)	1,380,197	17.2525
6	MRS. ABIDA MUKHTAR	26,250	0.3281
	MRS. ABIDA MUKHTAR (CDC)	1,290,960	16.1370
7	MR. MUHAMMAD EJAZ AKBAR KHAN (CDC)	2,500	0.0313
		3,953,532	**49.4192**
ASSOCIATED COMPANIES		**0**	**0.0000**
NIT & ICP			
1	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT.(CDC)	266,787	3.3348
2	INVESTMENT CORP. OF PAKISTAN	4,200	0.0525
		270,987	**3.3873**
BANKS, DEVELOPMENT FINANCE INSTITUTIONS, NON BANKING FINANCE INSTITUTIONS			
1	NATIONAL BANK OF PAKISTAN (CDC)	25,396	0.3175
2	ESCORTS INVESTMENT BANK LIMITED (CDC)	500	0.0063
		25,896	**0.3237**
MODARABA & MUTUAL FUNDS		**0**	**0.0000**
JOINT STOCK COMPANIES			
1	AMIN TEXTILE MILLS (PVT) LIMITED	9,000	0.1125
2	S.H. BUKHARI (PVT) LIMITED	2,900	0.0363
3	128 SECURITIES (PVT) LMITED. (CDC)	400	0.0050
4	ACE SECURITIES (PVT) LMITED. (CDC)	5,000	0.0625
5	DARSON SECURITIES (PVT) LTD. (CDC)	18	0.0002
6	H M INVESTMENTS (PVT) LTD. (CDC)	100	0.0013
7	M.R. SECURITIES (SMC-PVT) LTD. (CDC)	25	0.0003
8	SAAO CAPITAL (PVT) LIMITED. (CDC)	32,000	0.4000
		49,443	**0.6180**
TRUST			
1	THE TRUSTEE GHULAMAN-E-ABBAS EDUCATIONAL & MEDICAL TRUST	**500**	**0.0063**
EXECUTIVES		**0**	**0.0000**
SHARES HELD BY THE GENERAL PUBLIC		**3,699,642**	**46.2455**
		8,000,000	**100.0000**
SHAREHOLDERS HOLDING 10% OR MORE OF TOTAL CAPITAL			
1	MISS NELOFAR MUKHTAR	868,875	10.8609
2	MR. FAISAL MUKHTAR	1,579,947	19.7493
3	MRS. ABIDA MUKHTAR	1,317,210	16.4651
4	AHMED SAUD KHAN MANJ (CDC)	1,537,229	19.2154
		5,303,261	**66.2908**
SHAREHOLDERS HOLDING 5% OR MORE OF TOTAL CAPITAL			
1	MISS NELOFAR MUKHTAR	868,875	10.8609
2	MR. FAISAL MUKHTAR	1,579,947	19.7493
3	MRS. ABIDA MUKHTAR	1,317,210	16.4651
4	AHMED SAUD KHAN MANJ (CDC)	1,537,229	19.2154
5	CH. AHMED MUKHTAR	516,750	6.4594
		5,820,011	**72.7501**

During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows

S. No.	NAME	SALE	PURCHASE
1	MR. FAISAL MUKHTAR	--	133,000

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Dar Es Salaam Textile Mills Limited ("the company") as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information, and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the losses, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Usher Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion we draw attention to note 1.2 to the financial statements, which state that as on June 30, 2012 the company had accumulated losses of Rs. 283.40 million, resulting in negative equity of Rs. 203.40 million, also the current liabilities exceed current assets by Rs. 302.238 million (2011: 289.375 million). These conditions indicate the existence of the material uncertainty which may cast significant doubt about the company's ability to continue as going concern.

UHY Hassan Naeem & Co
Chartered Accountants
Ibne Hassan FCA

Place : Lahore
Date: October 10, 2012

BALANCE SHEET
AS AT JUNE 30, 2012

	Notes	June 30, 2012 (Rupees)	June 30, 2011 (Rupees)
NON CURRENT ASSETS			
Fixed Assets	5	**861,345,847**	**1,000,229,725**
Long Term Deposits	6	**1,342,085**	**1,772,685**
CURRENT ASSETS			
Stores & Spares	7	20,527,800	19,120,432
Stock in Trade	8	148,428,291	199,726,911
Trade Debtors	9	55,682,607	12,939,308
Advances, Deposits, Prepayments & Other Receivables	10	46,053,412	43,619,176
Tax Refunds due from Government	11	51,443,346	45,138,047
Cash & Bank Balances	12	4,691,649	5,883,338
		326,827,105	**326,427,212**
CURRENT LIABILITIES			
Short Term Finance-Secured	13	337,186,268	371,368,772
Current Portion of Long Term Loans	18	38,673,023	38,982,545
Current Portion of Liabilities Against Assets Subject to Finance Lease	19	137,148	443,139
Trade & Other Payables	14	199,878,468	170,567,119
Provision for Taxation	15	13,267,052	14,413,104
Mark up Payable	16	39,922,840	20,027,775
		629,064,799	**615,802,454**
Total Assets less Current Liabilities		**560,450,239**	**712,627,168**
NON CURRENT LIABILITIES			
Subordinated Sponsors' Loan	17	80,240,000	80,240,000
Long Term Loans-Secured	18	100,858,997	141,536,475
Liabilities Against Assets Subject to Finance Lease	19	-	713,911
Long Term Deposits	20	1,512,000	1,500,000
Deferred Liabilities			
Retirement Benefits	21	5,042,127	4,765,241
Deferred Tax Liability	22	77,056,410	73,421,523
		264,709,534	**302,177,150**
CONTINGENCIES & COMMITMENTS	23	**-**	**-**
NET WORTH		**295,740,705**	**410,450,018**
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Authorized share capital 15,000,000 Ordinary shares(2011:15,000,000 ordinary shares) of Rs 10/- each		150,000,000	150,000,000
Share Capital	24	80,000,000	80,000,000
Accumulated Losses		(283,399,969)	(235,792,868)
		(203,399,969)	**(155,792,868)**
SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX	25	**499,140,675**	**566,242,887**
		295,740,705	**410,450,018**

The annexed notes form an integral part of these financial statements.

SHAHID AMIN	FAISAL MUKHTAR	SH. PARVEZ ASHRAF
Chief Financial Officer	Chief Executive	Director

PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Notes	June 30, 2012	June 30, 2011
		<Rupees>	<Rupees>
SALES	26	1,339,935,803	1,436,870,778
COST OF SALES	27	1,325,618,691	1,412,269,637
GROSS PROFIT		14,317,112	24,601,141
OPERATING EXPENSES			
Administrative Expenses	28	48,087,716	37,443,605
Distribution Cost	29	1,202,860	306,663
		49,290,576	37,750,268
OPERATING PROFIT/(LOSS)		(34,973,464)	(13,149,126)
FINANCIAL CHARGES	30	(64,003,351)	(70,212,615)
OTHER INCOME	31	5,985,628	441,090
OTHER OPERATING CHARGES	32	(4,816,189)	(1,990,851)
PROFIT/(LOSS) BEFORE TAXATION		(97,807,375)	(84,911,503)
TAXATION	33	(16,901,939)	(10,865,966)
PROFIT/(LOSS) AFTER TAXATION		(114,709,314)	(95,777,469)
Other Comprehensive Income			
Incremental depreciation	25.2	46,520,877	41,834,610
Total comprehensive income/(loss) for the period		(68,188,436)	(53,942,859)
EARNINGS PER SHARE	34	(14.34)	(11.97)

The annexed notes form an integral part of these financial statements.

SHAHID AMIN	**FAISAL MUKHTAR**	**SH. PARVEZ ASHRAF**
Chief Financial Officer	**Chief Executive**	**Director**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	June 30, 2012 (Rupees)	June 30, 2011 (Rupees)
Cash Flow From Operating Activities		
Profit/(Loss) Before Taxation	(97,807,375)	(84,911,503)
Adjustments For:		
Depreciation	88,289,564	80,378,655
Amortization	309,904	56,320
Financial Expenses	64,003,351	70,212,615
Profit on Sale of Fixed Assets	(5,911,168)	(429,310)
Provision for Gratuity	3,743,851	2,867,932
	150,435,502	153,086,213
Operating Profit Before Working Capital Changes	52,628,127	68,174,710
Increase in Stores & Spares	(1,407,369)	(1,491,794)
(Increase)/Decrease in Stock in Trade	51,298,620	(132,346,196)
(Increase)/ Decrease in Trade Debtors	(42,743,299)	3,861,334
(Increase)/Decrease in Advances, Deposits, Prepayments & Other Receivables	(7,077,257)	17,660,548
Increase in Trade & Other Payables	29,311,349	23,276,745
	29,382,044	(89,039,364)
Cash (Used In)/Generated From Operations	82,010,171	(20,864,654)
Financial Expenses Paid	(44,108,286)	(69,174,785)
Gratuity paid	(3,466,965)	(3,012,457)
Taxes Paid	(16,075,382)	(23,420,705)
	(63,650,633)	(95,607,946)
Net Cash Inflow/(Outflow) From Operating Activities	18,359,538	(116,472,600)
Cash Flow From Investing Activities		
Addition to Fixed Assets	(10,098,296)	(41,500,968)
Addition to Intangible Assets	(1,324,241)	-
Increase in Capital Work In Progress	(744,884)	(1,165,408)
Decrease in Long Term Deposits	430,600	152,850
Sale Proceeds on Disposal of Fixed Assets	68,363,000	550,000
Net Cash Out Flow From Investing Activities	56,626,180	(41,963,526)
Cash Flow From Financing Activities		
Decrease in Long Term Loans	(40,987,000)	4,395,688
Lease Payments	(1,019,902)	(8,042,405)
Increase in Long Term Deposits Payable	12,000	-
Increase / (Decrease) in Short Term Finance	(34,182,505)	162,373,472
Net Cash Out flow from Financing Activities	(76,177,407)	158,726,755
Net Increase/(Decrease) in Cash & Cash Equivalents	(1,191,689)	290,629
Cash & Cash Equivalents at Beginning of the Year	5,883,338	5,592,709
Cash & Cash Equivalents at the End of the Year	4,691,649	5,883,338

The annexed notes form an integral part of these financial statements.

SHAHID AMIN	FAISAL MUKHTAR	SH. PARVEZ ASHRAF
Chief Financial Officer	**Chief Executive**	**Director**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

Particulars	Issued, Subscribed & Paid up Capital	Accumulated Losses	Total
	Rupees	Rupees	Rupees
Balance as on July 01, 2010	80,000,000	(181,850,009)	(101,850,009)
Total comprehensive loss for the Year	-	(53,942,859)	(53,942,859)
Balance as on June 30, 2011	**80,000,000**	**(235,792,868)**	**(155,792,868)**
Balance as on July 01, 2011	80,000,000	(235,792,868)	(155,792,868)
Total comprehensive loss for the Year	-	(68,188,436)	(68,188,436)
Revaluation surplus realized during the period		20,581,335	20,581,335
Balance as on June 30, 2012	**80,000,000**	**(283,399,969)**	**(203,399,969)**

The annexed notes form an integral part of these financial statements.

SHAHID AMIN	FAISAL MUKHTAR	SH. PARVEZ ASHRAF
Chief Financial Officer	Chief Executive	Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTES TO THE FINANCE STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

1. COMPANY AND ITS OPERATIONS

1.1 Dar Es Salaam Textile Mills Limited is a public limited company incorporated in Pakistan on September 28, 1989 under the Companies Ordinance, 1984. The Company is listed on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at 63-B-I, Gulberg III, Lahore. The principal activity of the Company is to manufacture and sale of yarn.

1.2 During the year the Company incurred loss of Rs.114.71 million (2011 :Loss Rs.95.777 million) and has accumulated losses amounting to Rs. 283.40 million at the year end. In addition, the Company's current liabilities exceeded its current assets by Rs. 302.238 million (2011: Rs. 289.375 million) at the year end.

Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future and continuous support of financial institutions by bringing its liabilities to serviceable levels and ability of adequate working capital through continued support from:

(a) the principal lenders of the Company; and
(b) the sponsors of the Company.

The financial statements have been prepared on going concern basis on the grounds that company will be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management for this purpose and bringing its liabilities to serviceable level and availability of adequate working capital through support from sponsors.

The financial statements consequently do not include any adjustment relating to the realization of the assets and liquidation of its liabilities that might be necessary would the Company be unable to continue as a going concern.

2. BASIS OF PREPARATION

2.1 **STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved Accounting Standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or the directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.2 **Standards, interpretations and amendments to published approved accounting standards**

2.2.1 **Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

IFRS 7 (Amendments), 'Financial Instruments', emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment has only resulted in additional disclosures with respect to financial Instruments.

IAS 1, 'Presentation of financial statements' (Amendments), now requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Since the company currently does not have any items of other comprehensive income, the amendments do not affect the Company's financial statements.

IAS 24 (Revised), 'Related Party Disclosures', issued in November 2009. It supersedes IAS 24, 'Related Party Disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognize as an asset some voluntary prepayments for minimum funding contributions.

2.**2.2 Standards, interpretations and amendments to existing standards that are not yet effective**

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increased disclosures in certain cases:

IFRS 9, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments' Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities

IFRS 10, 'Consolidated Financial Statements', applicable from January 01, 2013, build on existing principles by identifying the concept of control as the determine factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, 'Joint Arrangements', applicable from January 01, 2013, is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement; joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. The company will apply this standard from April 01, 2013.

IFRS12, 'Disclosures of interests in other entities', this standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable until April 01, 2013 but is available for early adoption.

IFRS 13, 'Fair value measurement', this standard provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is not applicable until April 01, 2013 but is available for early adoption.

IAS 1, 'Financial statement presentation' (Amendment). The main change resulting from this amendment is the requirement for entities to group items presented in Other Comprehensive Income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in other comprehensive income.

IAS 12, 'Income Taxes' (Amendments). These are applicable on accounting periods beginning on or after January 01, 2012. IAS 12, 'Income taxes', currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment Property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, Income taxes ◊ recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn.

IAS 19, 'Employee Benefits' (Amendment). The amendment will eliminate the corridor approach and calculate finance costs on a net funding basis. The amendments are not applicable until January 01, 2013 but is available for early adoption.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. the amendments clarify the meaning of 'currently has a legally enforceable right of set-off; and that some gross settlement systems may be considered equivalent to net settlement.

Offsetting of financial assets and financial liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement.

Annual Improvements 2009-2011 (effective for annual periods beginning on or after 1 January 2013. The new cycle of improvements contains amendments to the following standards, with consequential amendments to other standards and interpretations.

IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period - which is the preceding period - is required for a complete set of financial statements.

IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand by equipment and servicing equipment.

IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to accounting for income taxes relating to distribution to holders of an equity instrument and transaction costs of an equity transaction.

IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for recognition of certain staff retirement benefits at present value as stated in note 4.02 and revaluation of certain fixed assets referred to in 4.06.

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The area involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a. Property, Plant & Equipment-(Note 5)
b. Taxation-(Note 32)
c. Defined Benefit Plan-(Note 20)

4. PRINCIPAL ACCOUNTING POLICIES

4.01 Borrowings

Loans and borrowings are recorded at the proceeds received. Financial charges are accounted for on an accrual basis and included in markup payable.

All markups, interest and other charges on long term and short term borrowings are charged to profit in the period in which they are incurred except as stated in note 4.12.

Exchange gain or loss arising in respect of foreign currency is covered under provision of SBP FE. Circular No 25 dated 20th June 1998.

4.02 Staff Retirement Benefits

4.02.1 Defined Contribution Plan

The Company has an approved contributory Provident Fund Scheme for its employees. The Company and the employees both make monthly equal contribution as per Provident Fund Rules. The company implemented Funded Gratuity Scheme for all the employees in place of Provident Fund effective July 01, 2008 however, executives are continued to remain in contributory Provident Fund Scheme.

4.02.2 Defined Benefit Plan

The company also operates a funded gratuity scheme applicable to the executives and those employees not opting for provident fund scheme. Provision is made on the basis of actuarial valuation. The most recent actuarial valuation was carried out for the year ended June 30, 2011.

Actuarial gain and losses are recognized in accordance within the limit set by IAS-19.

4.03 Trade and Other Payables

Liabilities for trade and other payables are carried at cost, which is the fair value of the consideration to be paid in future for goods and services received whether or not billed to the company.

4.04 Provisions

Provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.05 Contingencies & Commitments

Contingencies and commitments are recognized only when they become due.

4.06 Tangible Fixed Assets, Depreciation and impairment

4.06.1 Operating Fixed Assets

Freehold Land and Buildings as on June 30, 2005, Plant & Machinery as on June 30, 2007 and Freehold Land, Buildings and Plant & Machinery as on December 31, 2009 ,subsequently Building and Plant & Machinery were revalued by an independent valuer as on June 30, 2011 and are shown at revalued figures. All other operating fixed assets have been stated at cost less accumulated depreciation and any identified impairment loss.

Increases in the carrying amount arising on revaluation of fixed assets are credited to surplus on revaluation of fixed assets. Decreases that offsets previous increases of the same assets are charged against this surplus, all other decreases are charged to income. Each year the difference between depreciation based on revalued carrying amount of the asset (the depreciation charged to the income) and depreciation based on the assets' original cost is transferred from surplus on revaluation of fixed assets to inappropriate profit. All transfers to/from surplus on revaluation of fixed assets are net of applicable deferred income taxes.

Cost of assets includes purchase price and other incidental expenses incurred up to the date of operation.

Depreciation is calculated on reducing balance method at the rates specified in Note 5 to the financial statements. Depreciation on additions is charged from the date when the asset is available for use and on deletions up to the date when the assets is derecognized.

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment / reversal of previous impairment. If such indication exists, the recoverable amount is estimated and loss / reversal of previous loss are recognized. Impairment loss or its reversal, if any, is charged to the income. Where an impairment loss is recognized the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Maintenance and normal repairs are charged to income as and when incurred while major repairs and improvements are capitalized. Gain or loss on disposal of assets is included in the current year income.

4.06.2 Capital work in progress

Capital work in progress is stated at cost less any identified impairment loss.

4.06.3 Intangible Assets

Intangible Assets are stated at cost and amortized over a period of useful life of the assets.

4.07 Leases

4.07.1 Finance Lease

Assets subject to finance lease are stated at fair value of the leased assets at inception of the lease or, if lower at the present value of minimum lease payments. Depreciation is charged at the rates and basis applicable to owned assets.

The outstanding obligations under finance lease less finance charges allocated to future periods are shown as liability. The finance charges are calculated at the rates implicit in the leases and were charged to profit and loss account for the year.

4.08 Stores and Spares

These are valued at lower of cost and net realizable value. The cost is calculated according to moving average method. Stores in transit are valued at invoice value including other charges, if any, incurred thereon.

4.09 Stock in Trade

These are valued at lower of cost and net realizable value. Cost is determined as follows:

Raw Material	At weighted average cost
Work in Process & Finished Goods	On actual cost basis that includes cost of direct material and appropriate conversion cost

Net realizable value signifies the estimated selling price in the ordinary course of the business as reduced by estimated cost of completion and estimated cost necessary to be incurred in order to make the sale.

4.10 Receivables

Receivables are carried at original invoiced amount less an estimated provision for doubtful receivables based on review of outstanding amount at the year-end. Known bad debts are written off against profit and loss account.

4.11 Revenue Recognition

Revenue is recognized on the dispatch of goods to the customers.

Return on deposits is accrued on a time basis by reference to the principal outstanding and the applicable rate of return.

4.12 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset is capitalized. All other borrowing costs are charged against income as and when incurred.

4.13 Taxation

4.13.1 Current

The charge for the current taxation for the year is based on taxable income at the current rate of taxation after taking into account tax credits, tax rebates and other allowances available for set off, if any in accordance with the provisions of Income Tax Ordinance 2001.

4.13.2 Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilized. Carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

4.14 Foreign Currencies

Transactions in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the dates of transactions. Assets and liabilities in foreign currencies are translated into rupees at the rates of exchange approximating those prevailing at the balance sheet date. Exchange gains and losses are included in profit and loss account currently.

4.15 Cash and Cash Equivalent

These comprise of cash and bank balances.

4.16 Financial Assets and Liabilities

Financial Assets and Liabilities are recognized when the Company becomes a part to the contractual provision of the instrument. The particular measurement methods adopted are disclosed in the individual policy statement associated with each item. Any gain or loss on subsequent measurement is charged to income.

4.17 Off Setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.18 Related Party Transactions

All transactions with related parties and associated undertakings are entered into arm's length prices determined in accordance with comparable uncontrolled pricing method as approved by the Board of Directors.

4.19 Dividend and Reserves

Dividend is recognized as a liability in the period in which it is declared.

Similarly an appropriation to reserves is recognized in the period in which it is appropriated.

5. FIXED ASSETS

		June 30, 2012 <Rupees>	June 30, 2011 <Rupees>
Property, plant and equipment			
Operating assets	(Note 5.1)	858,195,938	998,839,037
Capital Work in Progress	(Note 5.2)	1,910,292	1,165,408
		860,106,230	1,000,004,445
Intangible Assets	(Note 5.3)	1,239,617	225,280
		861,345,847	1,000,229,725

5.1 Reconciliation of carrying amounts at the beginning and end of the year is as follows:

CLASS OF ASSETS	COST					%	DEPRECIATION					W.D.V. / Revalued Amount As on June 30, 2012	Revaluation surplus	W.D.V. / Revalued Amount As on June 30, 2012
	Cost as at July 01, 2011	Additions	Transfer	Deletions	Total as on June 30, 2012		Accumulated as at July 01, 2011	Adjustments	For the year	Transfer	Accumulated as on June 30, 2012			
Tangible														
Land (Freehold)	39,578,125	-	-	-	39,578,125	0	-	-	-	-	-	39,578,125	-	39,578,125
Factory Building (Freehold)	165,812,391	-	-	-	165,812,391	5	52,355,791	-	5,672,830	-	58,028,621	107,783,770	-	107,783,770
Colony Building (Freehold)	57,361,134	-	-	-	57,361,134	5	16,470,134	-	2,044,550	-	18,514,684	38,846,450	-	38,846,450
Electrical Fittings	11,480,433	-	-	-	11,480,433	10	7,482,879	-	399,755	-	7,882,634	3,597,799	-	3,597,799
Elect. Fittings Colony	2,071,049	-		-	2,071,049	10	1,371,704	-	69,935	-	1,441,639	629,411	-	629,411
Plant & Machinery	1,054,088,186	1,812,514	9,785,259	(106,326,186)	959,359,773	10	385,047,977	(44,547,856)	64,905,160	4,189,261	409,594,542	549,765,230	-	549,765,230
Equipment	12,170,242	-	12,932,651	-	25,102,893	10	7,022,465	-	514,778	6,228,036	13,765,279	11,337,615	-	11,337,615
Furniture & Fixture	3,772,371	25,500	-	-	3,797,871	10	2,137,573	-	164,114	-	2,301,687	1,496,184	-	1,496,184
Air Conditioning	12,355,592	3,819,966	-	-	16,175,558	20	8,720,261	-	1,092,257	-	9,812,518	6,363,040	-	6,363,040
Office Equipment	976,773	66,100	-	-	1,042,873	20	705,847	-	58,915	-	764,762	278,111	-	278,111
Household	146,964	-	-	-	146,964	20	137,207	-	1,951	-	139,159	7,805	-	7,805
Arms	236,506	-	-	-	236,506	10	178,032	-	5,847	-	183,879	52,627	-	52,627
Tarpaulins	569,007	-	-	-	569,007	20	491,475	-	15,506	-	506,981	62,026	-	62,026
Sludge Pumps	99,504	-	-	-	99,504	10	85,487	-	1,402	-	86,889	12,615	-	12,615
Tube Well	296,809	-	-	-	296,809	10	215,617	-	8,119	-	223,736	73,073	-	73,073
Generator	66,209,938	-	68,616,193	-	134,826,131	10	25,314,027	-	4,089,591	19,662,161	49,065,779	85,760,353	-	85,760,353
Weighing Scales	2,297,629	-	-	-	2,297,629	10	1,514,579	-	78,305	-	1,592,884	704,745	-	704,745
Telephone/Intercom	366,523	-	-	-	366,523	10	253,098	-	11,343	-	264,440	102,083	-	102,083
Computer	3,627,065	353,216	-	-	3,980,281	10	2,263,088	-	145,523	-	2,408,611	1,571,670	-	1,571,670
Vehicles	8,694,049	4,021,000	1,674,480	(798,541)	13,590,988	20	1,448,249	(536,642)	1,908,534	896,827	3,716,968	9,874,020	-	9,874,020
Sub total	**1,442,210,291**	**10,098,296**	**93,008,583**	**(107,124,727)**	**1,438,192,443**		**513,215,490**	**(45,084,498)**	**81,188,416**	**30,976,285**	**580,295,693**	**857,896,750**	**-**	**857,896,750**
ASSETS SUBJECT TO FINANCE LEASE														
Plant & Machinery	9,785,259	-	(9,785,259)	-	-	10	3,567,483	-	621,778	(4,189,261)	-	-	-	-
Generators	68,616,193	-	(68,616,193)	-	-	10	14,222,825	-	5,439,337	(19,662,161)	-	-	-	-
Equipment	12,932,651	-	(12,932,651)	-	-	10	5,483,078	-	744,957	(6,228,036)	-	-	-	-
Vehicles	3,585,480	-	(1,674,480)	(1,292,000)	619,000	20	1,801,961	(880,398)	295,076	(896,827)	319,812	299,188	-	299,188
Sub total	**94,919,583**	**-**	**(93,008,583)**	**(1,292,000)**	**619,000**		**25,075,347**	**(880,398)**	**7,101,148**	**(30,976,285)**	**319,812**	**299,188**	**-**	**299,188**
TOTAL RUPEES: 2012	**1,537,129,875**	**10,098,296**	**-**	**(108,416,727)**	**1,438,811,443**		**538,290,837**	**(45,964,895)**	**88,289,564**	**-**	**580,615,505**	**858,195,938**	**-**	**858,195,938**
TOTAL RUPEES: 2011	**1,340,942,180**	**41,500,968**	**-**	**(1,069,239)**	**1,381,373,909**		**458,860,731**	**(948,549)**	**80,378,655**	**-**	**538,290,837**	**843,083,072**	**155,755,966**	**998,839,037**

5.1.1 Depreciation for the period has been allocatedd as under:

	Note	2012 (Rupees)	2011 (Rupees)
Cost of Sales	27	85,862,374	79,008,766
Administrative Expenses	28	2,427,190	1,369,889
		88,289,564	**80,378,655**

5.1.2 Revaluation of building and plant and machinery was carried as on June 30, 2011.

5.1.3 If the Freehold land, building, plant & machinery and generator were measured using the cost model, the carrying amount would be as follows.

Particulars	2012				2011		
	Cost	Transfer	Accumulated Depreciation	Net Book value	Cost	Accumulated Depreciation	Net Book value
Freehold Land	2,346,030	-	-	2,346,030	2,346,030	-	2,346,030
Building	68,979,500	-	41,742,316	27,237,184	68,979,500	40,308,780	28,670,720
Plant & Machinery	455,007,715	-	287,362,122	167,645,593	515,382,323	302,006,300	213,376,023
Generator	13,270,984	-	9,481,432	3,789,552	13,270,984	9,060,371	4,210,613
	539,604,229	**-**	**338,585,870**	**201,018,359**	**599,978,837**	**351,375,452**	**248,603,385**

5.1.4 Disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Transfer	Book Value	Profit/ (Loss)	Party Name	Mode of Disposal
Simplex Machine FL-100	14,283,978	5,991,061	-	8,292,917	1,707,083	Sunrays Textile Mills Limited	Negotiation
Ring Machine RX-240	92,042,208	38,556,795	-	53,485,413	2,764,587	Mima Cotton Mills Limited	Negotiation
Vehicle - LEA-08-657	1,292,000	880,398	-	411,602	613,398	Shahid Nazir	Negotiation
Vehicle - LWA-9414	533,504	356,281	-	177,223	410,777	Mian Imran Ali Shah	Negotiation
Vehicle - LZC-8824	265,037	180,361	-	84,676	415,324	Wallait Shah	Negotiation
Total	**108,416,727**	**45,964,895**	**-**	**62,451,832**	**5,911,168**		

Above represents sale of assets not sold to Chief Executive, Directors, Other Executives and Shareholders holding not less than 10% of shares or associated undertakings.

5.2 Capital Work in Progress

	2012 (Rupees)	2011 (Rupees)
Civil Works on freehold land	1,910,292.00	1,165,408
	1,910,292.00	**1,165,408**

5.3 INTANGIBLE ASSETS

NAME OF ASSETS	COST					%	AMORTIZATION					W.D.V. As on June 30, 2012
	Cost as at July 01, 2011	Additions	Transfer	Deletions	Total as on June 30, 2012		Accumulated as at July 01, 2011	Adjustments	For the year	Transfer	Accumulated as on June 30, 2012	
Software	550,000		-	-	550,000	20	324,720	-	45,056	-	369,776	180,224
Microsoft Windows 2007	-	1,324,241	-	-	1,324,241		-	-	264,848	-	264,848	1,059,393
TOTAL RUPEES: 2012	**550,000**	**1,324,241**	**-**	**-**	**1,874,241**		**324,720**	**-**	**309,904**	**-**	**634,624**	**1,239,617**
TOTAL RUPEES: 2011	**550,000**	**-**	**-**	**-**	**550,000**		**268,400**	**-**	**56,320**	**-**	**324,720**	**225,280**

5.3.1 Amortization for the period has been allocated as under:

	Note	2012 (Rupees)	2011 (Rupees)
Administrative Expenses	28	309,904	56,320
		309,904	**56,320**

5.3.2 Amortization on microsoft licensed windows 2007 has been charged on straight line basis in accordance with the requirements of the Income Tax Ordinance, 2001.

		June 30, 2012	June 30, 2011
		<Rupees>	<Rupees>

6. LONG TERM DEPOSITS

Security against Assets Subject to Finance Lease		61,900	582,900
Wapda & Others		1,342,085	1,258,585
		1,403,985	**1,841,485**
Less: Current Portion of Lease Security Deposits	(Note 10.1)	61,900	68,800
		1,342,085	**1,772,685**

7. STORES & SPARES

Stores		1,373,040	836,230
Spares	(Note 7.1)	15,894,791	15,985,912
Less: Provision for Obsolescence		(210,000)	(210,000)
		15,684,791	15,775,912
Packing Material		3,469,969	2,508,290
		20,527,800	**19,120,432**

7.1 Store and spares are held for normal repair and maintenance. No Stores & Spares are held for capital expenditure.

8. STOCK IN TRADE

Raw Material	122,643,470	173,397,707
Work in Process	10,732,618	17,563,570
Finished Goods	15,052,203	8,765,634
	148,428,291	**199,726,911**

8.1 Raw Material and Finished Goods are pledged as security against short term finances.

9. TRADE DEBTORS

Considered good - secured		
Export	18,674,135	-
Considered good - unsecured		
Local	37,008,472	12,939,308
	55,682,607	**12,939,308**

10. ADVANCES, DEPOSITS, PREPAYMENTS & OTHER RECEIVABLES

Advances - Considered Good & Secured			
Non-executives		1,849,584	2,161,213
Advances - Unsecured but Considered Good			
Suppliers		26,235,688	19,789,628
Expenses		1,688,810	1,261,327
Security Deposits	(Note 10.1)	61,900	68,800
Letters of Credit		1,956,244	189,183
Prepayments		6,090,112	6,905,112
Others		8,171,074	13,243,913
		46,053,412	**43,619,176**

10.1 This represents lease deposits relating to leases Rs. 61,900 to be matured in next twelve months.

11 DUE FROM THE GOVERNMENT AGENCIES

Income Tax Deducted at Source	(Note 11.1)	42,800,163	41,137,885
Excise Duty		15,615	15,615
Sales Tax		8,627,568	3,984,547
		51,443,346	**45,138,047**

11.1 Income Tax Deducted at Source

Opening Balance	41,137,885	24,107,090
Add: Paid during the year	16,075,382	23,420,705
	57,213,267	47,527,795
Less: Adjustments	14,413,104	6,389,910
	42,800,163	**41,137,885**

12 CASH & BANK BALANCES

Cash in Hand	726,417	391,526
Balances with Banks -In Current Accounts	3,965,232	5,491,812
	4,691,649	**5,883,338**

13 SHORT TERM FINANCE-SECURED

The facilities for short term finance, available from various banks amounted to Rs. 521 million (2011: Rs. 530.5 million) are payable within next 12 months. These are secured by pledge of raw material stock, hypothecation of yarn stock and lien on export L/Cs.

			June 30, 2012	June 30, 2011
			<Rupees>	<Rupees>
14	**TRADE AND OTHER PAYABLES**			
	Due to Others			
	Creditors for Goods Supplied		93,692,670	64,786,510
	Advances from Customers		23,396,825	21,004,371
	Accrued Expenses		40,145,937	20,993,862
	Due to Government Agencies			
	Income Tax withheld		9,673,433	5,071,672
	Sales Tax			
	Provident fund payable		627,222	1,097,245
	Unclaimed Dividend		1,159,777	1,160,139
	Others	(Note 14.1)	30,504,013	55,774,730
	Workers' profit participation fund		491,732	491,732
	Workers' Welfare fund		186,858	186,858
			199,878,468	**170,567,119**

14.1 This represents interest free payables to private parties.

15	**PROVISION FOR TAXATION**			
	Opening Balance		14,413,104	6,389,910
	Add: Provision for the year	(Note 33)	13,267,052	14,413,103
			27,680,156	20,803,014
	Less: Refunds / Adjustments		14,413,104	6,389,910
			13,267,052	**14,413,104**

16	**MARK UP PAYABLE**			
	Mark up on Short Term Finance		16,114,950	10,393,586
	Mark up on Long Term Finance		23,807,890	9,634,189
			39,922,840	**20,027,775**

17 SUBORDINATED SPONSORS' LOAN

This represents interest free unsecured loan from Sponsor Directors of the Company. It is not repayable in next twelve months.

18	**LONG TERM LOANS - SECURED**			
	Demand Finance (NIDF-III)	(Note 18.1)	-	20,500,000
	Demand Finance BOP	(Note 18.2)	18,900,000	42,000,000
	Demand Finance BOP (CF SWAP)	(Note 18.3)	7,613,000	-
	Demand Finance (NIDF-V)	(Note 18.4)	28,019,062	28,019,062
	Demand Finance NBP	(Note 18.5)	84,999,958	89,999,958
			139,532,020	**180,519,020**
	Less: Current Maturity			
	Demand Finance (NIDF-III)		-	14,642,855
	Demand Finance BOP		6,000,000	15,000,000
	Demand Finance BOP (CF SWAP)		5,833,333	-
	Demand Finance (NIDF-V)		9,339,690	9,339,690
	Demand Finance NBP		17,500,000	-
			38,673,023	**38,982,545**
			100,858,997	**141,536,475**

18.1 This represents demand finance (NIDF-III) of Rs. 26.36 million sanctioned by United Bank Limited for balancing, modernization and replacement (BMR) requirements. The loan is rescheduled by the bank on December 17, 2007. As per rescheduled terms it carries mark up at the rate of 6 Month KIBOR plus 150 basis points with no floor and cap. The loan is repayable within 5 years including 18 months grace period from August 31, 2009 in 9 equal quarterly installments of Rs. 2.929 million each. Total amount outstanding has been paid during the period.

18.2 This represents Demand Finance of Rs. 60.00 million sanctioned by Bank of Punjab for Swapping of Demand Finance from United Bank Limited. It carries mark up at the rate of 6 Month KIBOR plus 250 basis points with floor rate of 12%. As per rescheduled term the loan is repayable in 1.5 years commencing from February 07, 2013 in quarterly installments of Rs. 3.000 million each.

18.3 This represents the outstanding Cash Finance limit of Rs. 10.891 million from Bank Of Punjab which is converted into Demand Finance as on August 01, 2011. As per rescheduled terms it carries markup rate of 3 Month KIBOR plus 200 basis points. The loan is repayable in 24 equal monthly installments commencing from August 01, 2011.

18.4 This represents demand finance (NIDF-V) of Rs. 29.887 million sanctioned by United Bank Limited for restructuring financial requirements. The loan is sanctioned by the bank on December 18, 2009. As per rescheduled terms it carries mark up at the rate of 6 Month KIBOR plus 200 basis points with no floor and cap. The loan is repayable from June 18, 2012 in 15 equal quarterly installments of Rs. 1.868 million each.

18.5 This represents Demand Finance of Rs. 90.00 million sanctioned by the National Bank of Pakistan for Re-profiling of company's Balance Sheet/Swapping of Short term Debts of Standard Chartered Bank (Pakistan) Limited and United Bank Limited. It carries mark up at the rate of 6 Month KIBOR plus 150 with no floor and cap. As per rescheduled terms the loan is repayable in 6 years including 2 year grace period from Dec 03, 2012 in 08 equal bi-annual installments of Rs. 11.250 million each.

18.6 The above loans are secured against 1st Pari Passu Charge on fixed assets for Rs 420.00 million.

		June 30, 2012	June 30, 2011
19	**LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE**	<Rupees>	<Rupees>

19.1 The amount of future payments and periods during which they fall due are:

	2012	2011
Year Ending June 30,		
2012	-	513,792
2013	140,492	730,816
	140,492	**1,244,608**
Less:		
Financial charges allocated to future period	3,344	87,558
Present value of minimum lease payments	**137,148**	**1,157,050**
Less:		
Current Portion	137,148	443,139
	-	**713,911**

19.2 Present value of minimum lease payments have been discounted at interest rates, ranging from 10.00% to 15.00%, which approximately equates the rate implicit in the lease agreement. In case of default of any payment, additional charges at varying rates are payable on overdue amounts. If any lease is terminated, the lessee shall pay for assets the entire amount of rentals for unexpired period of the lease agreements. The liability is partly secured by deposits of Rs. 61,900 (2011 : Rs. 0.583 million), the residual value of leased assets is Rs. 61,900 (2011 : Rs. 0.583 million). The purchase option is available to the Company on payment / surrender of deposit along with last installment. There is no financial restriction in the lease agreements.

19.3 Reconciliation of minimum lease payments and their present values is given below:

	Minimum Lease payments		**Present Value of MLP**	
	2012	**2011**	**2012**	**2011**
	<Rupees>	<Rupees>	<Rupees>	<Rupees>
Due within one year	140,492	513,792	137,148	443,139
Due after one year but not later than 5 years	-	730,816	-	713,911
Due after 5 years	-	-	-	-
	140,492	**1,244,608**	**137,148**	**1,157,050**
Financial Charges	3,344	87,558	-	-
	137,148	**1,157,050**	**137,148**	**1,157,050**

20 LONG TERM DEPOSITS

20.1 These deposits are against the sale of cotton waste. The contractors have given company right to utilize these deposits in normal course of business.

21 RETIREMENT BENEFITS

21.1 Principal Acturial Assumptions

	2012	2011
Discount Rate	14% p.a.	14% p.a.
Expected Rate of increase in salary level	13% p.a.	13% p.a.
Expected Rate of return	12% p.a.	12% p.a.
Average remaining working life	15 years	15 years

21.2 Movement in net liability recognised

		2012	2011
Opening Liability		4,765,241	4,909,766
Charge for the period	(Note 21.4)	3,743,851	2,867,932
Contributions during the period		(3,466,965)	(3,012,457)
		5,042,127	**4,765,241**

21.3 The amount recognised in the balance sheet are as follows:

	2012	2011
Present value of benefit obligation	13,553,852	4,661,691
Fair value of plan assets	(51,058)	(51,058)
Unrecognised actuarial gain / (loss)	(8,460,666)	154,608
Liability as on June 30,	**5,042,127**	**4,765,241**

21.4 Charged to profit & loss account for the period

	2012	2011
Current service cost	2,573,514	2,451,280
Interest cost	1,176,465	476,598
Expected Return on Plan Assets	(6,127)	(6,127)
Actuarial (Gains) / Losses Charge	-	(53,819)
	3,743,851	**2,867,932**

21.5 Actual Return on Plan Assets

	2012	2011
Expected Return on Plan Assets	6,127	6,127
Actuarial Gain/(Loss) on Plan Assets	(6,127)	(6,127)
	-	**-**

21.6 Historical Information

	2012	**2011**	**2010**	**2009**	**2008**
Present value of defined benefit obligation	13,553,852	4,661,691	3,971,654	3,473,645	757,373
Experience adjustments on plan liabilities	-	(53,819)	-	-	-

21.7 Expected gratuity expense for the year ended June 30, 2013 works out Rs. 4,230,552.

	June 30, 2012 <Rupees>	June 30, 2011 <Rupees>
22 DEFERRED TAX LIABILITY		
This is comprised of the following:		
Accelerated tax depreciation	105,139,159	100,927,079
Unused tax losses and tax credits	(89,188,805)	(112,097,387)
Surplus on revaluation of Property, plant and equipment	61,106,056	84,591,831
Net Liability as on Balance sheet date	**77,056,410**	**73,421,523**

23 CONTINGENCIES & COMMITMENTS

23.1 Contingencies

Appeal in respect of income year 1999-2000(assessment year 2001-2002) was finalized by the Commissioner of Income Tax (Appeals) in favour of the company. The tax liability originally assessed by the Deputy Commissioner of Income Tax was Rs. 10.929 million which was subsequently restricted to Rs. 2.906 million by the Commissioner of Income Tax (Appeals) whereas the provision accounted for in the financial statements amounts to Rs. 9.433 million. Corresponding adjustments have been made in the financial statements but the Income Tax Department has filed an appeal against the said order of Commissioner of Income Tax (Appeals) before the Income Tax Appellate Tribunal. It is expected that, on the basis of tax advisor's opinion, the appeal will be finalized in favour of the Company.

23.2 Commitments

(a) Letter of Credit of Rs. 1,956,244 (2011: Rs. 189,183).

(b) Letter of Guarantee issued in favour of SNGPL Rs. 14.906 million (2011: Rs. 11.606 millions).

24 SHARE CAPITAL

24.1 Issued , Subscribed and Paid -up:

8,000,000 Ordinary Shares (2011: 8,000,000 Ordinary Shares) of Rs. 10/- each, issued for consideration in cash.	**80,000,000**	**80,000,000**

24.2 The shareholders' are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry "one vote" per share without restriction.

25 SURPLUS ON REVALUATION OF FIXED ASSETS - NET OF TAX		June 30, 2012 <Rupees>	June 30, 2011 <Rupees>
Opening Balance as on July 01,		**566,242,887**	**506,836,119**
Revaluation surplus on fixed assets - Net of tax		**-**	**101,241,378**
		566,242,887	**608,077,497**
Transferred to Accumulated Loss on account of Incremental Depreciation	(Note 25.2)	**(46,520,877)**	**(41,834,610)**
Realized on disposal of Plant & Machinery		**(20,581,335)**	**-**
Closing Balance as on June 30,		**499,140,675**	**566,242,887**

25.1 Land and Buildings was revalued by independent valuer M/s. Bfa (Pvt.) Limited as on June 30, 2005 and Plant & Machinery was revalued on June 30, 2007 by BFA (Pvt.) Limited . Further revaluation of Land, Building and Plant & Machinery was carried out as December 31, 2009 and subsequently on June 30, 2011 by independent valuer M/s. Indus Surveyors (Pvt.) Limited. The replacement cost method was used to determine fair market value of the above assets.

25.2 Incremental Depreciation

	Opening Balance	Revaluation surplus on fixed assets - Net of tax	Rate	Depreciation Net of Tax
Land	37,232,095	-	0%	-
Factory Building	79,508,323	-	5%	3,975,416
Colony Building	36,305,356	-	5%	1,815,268
Plant & Machinery - Owned	378,552,679	(20,581,335)	10%	37,265,750
Plant & Machinery - Leased	1,089,004	-	10%	108,900
Generators	33,555,431	-	10%	3,355,543
	566,242,887	**(20,581,335)**		**46,520,877**

26 SALES	June 30, 2012 <Rupees>	June 30, 2011 <Rupees>
- Local	1,326,705,170	1,441,310,320
- Export	18,674,135	-
	1,345,379,305	1,441,310,320
- Less: Commission	5,443,502	4,439,542
	1,339,935,803	**1,436,870,778**

27 COST OF SALES

		June 30, 2012 <Rupees>	June 30, 2011 <Rupees>
Raw Material Consumed	(Note 27.1)	1,017,078,373	1,136,245,610
Packing Material		18,255,583	13,195,688
Stores & Spares		17,885,139	14,832,734
Salaries, Wages & Other Benefits	(Note 27.2)	70,751,714	70,318,481
Fuel & Power		108,264,489	100,335,726
Repair & Maintenance		3,041,990	2,659,339
Insurance		3,934,645	3,435,985
Depreciation	(Note 5.1.1)	85,862,374	79,008,766
		1,325,074,308	1,420,032,330
Add: Opening Work in Process		17,563,570	10,519,844
		1,342,637,878	1,430,552,173
Less: Closing Work in Process		(10,732,618)	(17,563,570)
Cost of goods manufactured		1,331,905,260	1,412,988,603
Add: Opening Stock of Finished Goods		8,765,634	8,046,668
		1,340,670,894	1,421,035,271
Less: Closing Stock of Finished Goods		(15,052,203)	(8,765,634)
		1,325,618,691	**1,412,269,637**

27.1 Raw Material Consumed

Opening Stock	173,397,707	48,814,203
Add : Purchases	966,324,136	1,260,829,114
Less : Closing Stock	(122,643,470)	(173,397,707)
	1,017,078,373	**1,136,245,610**

27.2 Salaries, Wages & Other Benefits include Rs. 2.962 million (2011: Rs. 1.941 million) in respect of retirement benefit.

28 ADMINISTRATIVE EXPENSES

Office Staff Salaries & Benefits	(Note 28.1)	20,204,337	15,139,689
Travelling & Conveyance		5,412,732	3,025,395
Printing & Stationery		833,498	933,739
Postage, Telephone & Telegram		1,546,406	1,029,895
Rents, Rates & Taxes		2,397,677	2,482,995
Insurance		53,368	287,622
Vehicle Running & Maintenance		4,542,026	3,289,208
Fees & Subscription		463,912	373,810
Electricity		2,121,681	1,416,093
Entertainment		767,535	839,075
Medical Expenses		451,257	486,408
Registrar Service Charges		180,000	135,000
Repair & Maintenance		457,453	389,998
Legal & Professional Charges		3,208,000	3,237,110
Auditors' Remuneration	(Note 28.2)	430,000	430,000
School Expenses		496,702	443,022
Depreciation	(Note 5.1.1)	2,427,190	1,369,889
Amortization	(Note 5.3.1)	309,904	56,320
Miscellaneous Expenses		1,784,038	2,078,337
		48,087,716	**37,443,605**

28.1 Office Staff Salaries & Benefits include Rs. 0.782 million (2011: Rs 0.927 million) in respect of retirement benefit.

28.2 Auditors' Remuneration

Annual Audit Fee	200,000	200,000
Half Yearly Review	50,000	50,000
Tax Consultancy	180,000	180,000
	430,000	**430,000**

29 DISTRIBUTION COST

	June 30, 2012 <Rupees>	June 30, 2011 <Rupees>
Advertisement	114,435	38,250
Samples	20,000	15,000
Yarn Loading	307,797	130,867
Export Expenses	400,660	-
Freight & Octroi	26,900	19,550
Courier Charges	54,585	19,676
Others	278,483	83,320
	1,202,860	**306,663**

30 FINANCIAL CHARGES

Markup on Long Term Loans	22,416,485	30,290,464
Markup on Short Term Loans	39,603,911	35,626,711
Commission & Bank Charges	1,931,668	3,926,031
Finance Charges on Leased Assets	51,286	369,409
	64,003,351	**70,212,615**

31 OTHER INCOME

Profit on Disposal of Fixed Assets	(Note 5.1.4)	5,911,168	429,310
Other Income		74,460	11,780
		5,985,628	**441,090**

32 OTHER OPERATING CHARGES

Exchange Loss	(Note 32.1)	4,816,189	1,990,851
		4,816,189	**1,990,851**

32.1 The exchange loss is on account of short term borrowings in foreign currency.

	June 30, 2012 <Rupees>	June 30, 2011 <Rupees>
33 TAXATION		
Current Year	13,267,052	14,413,103
Deferred tax	3,634,887	(3,547,137)
	16,901,939	**10,865,966**

33.1 The assessments have been completed up to the income year 2010-2011 (Tax year 2011).

33.2 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the company attracts minimum tax under section 113 of the Income Tax Ordinance, 2001.

	June 30, 2012	June 30, 2011
34 EARNINGS PER SHARE		
Profit/(Loss) after Tax - Rupees	(114,709,314)	(95,777,469)
Weighted average number of Ordinary Shares outstanding during the year	8,000,000	8,000,000
Basic Earning Per Share	**(14.34)**	**(11.97)**

34.1 There is no dilutive effect on the basic earning per share of the Company.

35 RELATED PARTY TRANSACTIONS

The related parties comprise directors and executives of the Company. During the year no related party transaction was occured other than salaries and benefits to Chief Executive and Executives as per terms of their employment:

35.1 DIRECTORS' & EXECUTIVES' REMUNERATION

Particulars	June 30, 2012		June 30, 2011	
	Chief Executive	Executives	Chief Executive	Executives
Managerial Remuneration	2,357,143	4,920,257	2,357,143	3,900,000
House Rent	707,143	1,658,695	707,143	1,170,000
Medical	235,714	400,714	235,714	390,000
Utilities	-	516,000	-	442,160
Total Rupees	**3,300,000**	**7,495,666**	**3,300,000**	**5,902,160**
No. of Persons	**1**	**5**	**1**	**4**

35.2 In addition to the above, company maintained cars are provided to the chief executive and executives.

36. FINANCIAL ASSETS & LIABILITIES

Amount in Rupees

Particulars	Effective Yield / Mark Up Rate	Interest Bearing				Non-Interest Bearing				Grand Total 2012	Grand Total 2011
		Maturity upto one year	Maturity after One Year up to five year	Maturity after five year	Sub Total	Maturity upto one year	Maturity after One Year up to five year	Maturity after five year	Sub Total		
Financial Assets											
Long Term Deposits		-	-	-	-	-	1,342,085	-	1,342,085	**1,342,085**	**1,258,585**
Trade Debts		-	-	-	-	55,682,607	-	-	55,682,607	**55,682,607**	**12,939,308**
Advances, Deposits, Prepayments & Other Receivables		-	-	-	-	12,820,416	-	-	12,820,416	**12,820,416**	**14,694,430**
Cash & Bank Balance		-	-	-	-	4,691,649	-	-	4,691,649	**4,691,649**	**5,883,338**
		-	**-**		**-**	**73,194,671**	**1,342,085**		**74,536,756**	**74,536,756**	**34,775,660**
Financial Liabilities											
On balance sheet items											
Long Term Loan	13.% to 16.28%	38,673,023	100,858,997	-	139,532,020	-	-	-	-	**139,532,020**	**180,519,020**
Liabilities against assets subject to	10 % To 15.00%	137,148	-	-	137,148	-	-		-	**137,148**	**1,157,050**
Retirement Benefits	12.00%	-	-	5,042,127	5,042,127	-	-	-	-	**5,042,127**	**4,765,241**
Short Term Finances	12.50% To 16.48%	337,186,268	-	-	337,186,268	-	-		-	**337,186,268**	**371,368,772**
Trade and Other Payable		-	-	-	-	176,481,643	-	-	176,481,643	**176,481,643**	**149,562,748**
								-			
		375,996,439	**100,858,997**	**5,042,127**	**481,897,563**	**176,481,643**	**-**	**-**	**176,481,643**	**658,379,205**	**707,372,831**
Off balance sheets items											
Letter of Guarantee		-	-		**-**	14,906,000	-	-	14,906,000	**14,906,000**	**11,605,700**
		375,996,439	**100,858,997**	**5,042,127**	**481,897,563**	**191,387,643**	**-**	**-**	**191,387,643**	**673,285,205**	**718,834,006**

The Company has exposures to the following risks from its use of financial instruments:

- ◊ Credit risk
- ◊ Liquidity risk
- ◊ Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institution, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 74.54 million (2011: Rs. 34.776 million), the financial assets that are subject to credit risk amounted to Rs. 69.85 million (2011: Rs.28.893 million).

For trade receivable, internal risk assessments process determines the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with the limits set by the management. The utilization of credit limit is regularly monitored. Accordingly, the credit risk is minimal and the company also believes that it is not exposed to major concentration of credit risk.

Concentration of the credit risk arises when the number of counter parties engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The company believes that it is not exposed to major concentration risk.

The carrying amount of the financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is:

	June 30, 2012	June 30, 2011
	<Rupees>	<Rupees>
Trade Debtors	55,682,607	12,939,308
Advances, Deposits, Prepayments & Other Receivables	12,820,416	14,694,423
Cash & Bank Balances	4,691,649	5,883,338
	73,194,671	33,517,068

The maximum exposure to credit risk for trade debts at the balance sheet date by geographical region is as follows.

Due from foreign customers	18,674,135	-
Due from local customers	37,008,472	12,939,308
	55,682,608	12,939,308

Foreign customers are situated in China.

The maximum exposure to credit risk for trade debts at the balance sheet date by type of customer is as follows.

Yarn	55,479,712	11,532,852
Waste	202,896	1,406,456
	55,682,608	12,939,308

The aging of trade debts at the reporting date is :

Past due	0- 30 days	44,580,066	9,738,123
Past due	31- 60 days	6,661,525	84,105
Past due	61-90 days	1,110,254	71,166
Past due	91- 120 days	740,169	98,339
Past due	121 days or more	2,590,593	2,947,574
		55,682,607	12,939,308

No provision for doubtful debt has been made during the year for local and foreign customers.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Company is not materially exposed to liquidity risk as substantially all obligations / commitments of the Company are short term in nature and are restricted to the extent of available liquidity. In addition, the Company has obtained running finance facilities from various commercial banks to meet any deficit, if required to meet the short term liquidity commitments.

Significant balances of financial assets and liabilities shall mature within twelve months as evident from the information presented above.

Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will effect the Company's income or the value of its holdings of financial instruments.

Currency risk

The Company is exposed to currency risk on export of goods denominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is as follows:

	June 30, 2012	June 30, 2011
	<Rupees>	<Rupees>
Foreign debtors	18,674,135	-
Gross balance sheet exposure	**18,674,135**	**-**
Letters of credit	1,956,244	189,183
Net exposure	20,630,380	189,183

The following significant exchange rate has been applied:

	Average rate		Reporting date rate	
	2012	**2011**	**2012**	**2011**
Financial Assets				
USD to PKR	90.68	86.25	94.00	86.05
Financial Liabilities				
USD to PKR	94.20		94.20	

Sensitivity analysis

5% strengthening of Pak Rupee against the following currencies at June 30, would have increased / (decreased) equity and profit and loss by the amount shown below. The analysis assumes that all other variables, in particular interest rates, remain constant. 5% weakening of Pak Rupee against the above currencies at periods ends would have had the equal but opposites effect on the above currencies to the amount shown below, on the basis that all other variables remain constant.

	2012	2011
Effect on profit or loss	(4,126,076)	(18,918)

The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) / profit for the year and assets / liabilities of the Company.

Interest rate risk

At the reporting date the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2012	2011	2012	2011
	Effective rate in percentage		Carrying amount Rupees	
Financial liabilities				
Variable rate instruments				
Long term loans	13.% to 16.28%	6.85% to 16.28%	139,532,020	180,519,020
Lease Liabilities	10 % To 15.00%	7.51 % To 15.00%	137,148	1,157,050
Short term borrowings	12.50% To 16.48%	9.21% To 17.02%	337,186,268	371,368,772

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

	Profit and loss 100 bp	
	Increase	decrease
As at 30 June 2012		
Cash flow sensitivity-Variable rate financial liabilities	(620,717)	620,717
As at 30 June 2011		
Cash flow sensitivity-Variable rate financial liabilities	(526,465)	526,465

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Company.

Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Capital risk management

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for shareholders and benefits for other stakeholders; and to maintain a strong capital base to support the sustained development of its businesses. The Company manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividend paid to shareholders, appropriation of amounts to capital reserves or/and issue new shares.

Consistent with others in the industry, the Company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirements and expectations of the shareholders. Debt is calculated as total borrowings ("long term loan" and "short term borrowings" as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under "share capital and reserves".

The salient information relation to capital risk management of the Company as of June 30, 2012 and June 30, 2011 were as follows:

	June 30, 2012	June 30, 2011
	<Rupees>	<Rupees>
Total Borrowings	476,718,287	551,887,792
Less: Cash and cash equivalents	(4,691,649)	(5,883,338)
Net Debt	472,026,639	546,004,454
Total Equity	(203,399,969)	(155,792,868)
Total Capital	268,626,669	390,211,586
Gearing Ratio	175.72	139.93

37. NUMBER OF EMPLOYEES

Total number of employees at year end were 657 (2011: 688).

38 PLANT CAPACITY & PRODUCTION

Number of Spindles Installed	20,736	26,016
Installed Capacity Converted into 20's Count (Million Kgs.)	9.654	9.685
Actual Production Converted into 20's Count (Million Kgs.)	6.365	8.938
Number of Shifts Worked	1,092	1,092
Days Worked	364	364

38.1 It is difficult to describe precisely the production capacity in textile industry since it fluctuates widely depending on various factors such as count of yarn spun, spindle speed, twist per inch and raw material used etc. It would also vary according to the pattern of production adopted in a particular year.

39 EVENTS AFTER THE BALANCE SHEET DATE

There are no subsequent events occurring after the balance sheet date.

40 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 10, 2012 by the Board of Directors of the Company.

41 GENERAL

41.1 Figures have been rearranged / reclassified whenever necessary for the purpose of comparison. Following reclassification / rearrangement has been made in financial statements for compliance, better understanding and presentation.

Note	From	To	Nature	Amount
10	Advances, Depoists, Prepayments & Other Receivables	Tax Refunds Due From Government	Better Classification	51,443,346

41.2 Figures have been rounded off to the nearest rupee.

SHAHID AMIN	**FAISAL MUKHTAR**	**SH. PARVEZ ASHRAF**
Chief Financial Officer	**Chief Executive**	**Director**

Form of Proxy

L/F NO.	
NO. OF SHARES	

I/We ____________________

of ____________________

being a member of DAR ES SALAAM TEXTILE MILLS LIMITED, hereby appoint ____________________

____
(Name)

of ____________________

(another member of the Company) failing him

____
(Name)

of ____________________

(another member of the Company) to attend, act and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday the October 31, 2012 at 11:00 a.m. at the Registered Office of the Company, 63-B-I, Gulberg-III, Lahore and at any adjournment thereof.

As witness my hand this ____________ day of ____________ 2012.

Signature on Revenue Stamp

(Signature should agree with the specimen signature registered with the Company)

Date : ____________

Note: Proxies mut be received at the Registered Office of the Company not later than 48 hours before time of holding the meeting duty stamped, signed and witnessed.